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SUPPLEMENT TO  
REPORT NO.

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1. Communist leaders in Sao Paulo are boasting that ex-President Getulio Vargas will again be president after the forthcoming presidential elections, whether the "reactionaries" approve or not. They also declare that Vargas first entered Catete Palace through an Army-backed revolution and that he will return to power in the same way if necessary.
2. Source revealed that several of the leaders of Vargas's Partido Trabalhista Brasileiro (PTB) are being influenced by the Communists who are infiltrating the party and that Communist ex-deputies are expected to return to the Federal Congress under the banner of the PTB. In the opinion of many of the members of the Sao Paulo Political Police, there exists a concrete agreement between Vargas and leaders of the Communist Party of Brazil (PCB).

An informant who was in Recife and various other cities of the north reported that the Communists and the PTB members in the northern states are holding public meetings in the city squares calling for the return of Vargas.

### Rapprochement of the PL and the PTB

The Partido Libertador (PL) and the PTB have recently begun to cooperate in the Rio Grande do Sul State Assembly against the present Governor, Walter Jobim, and his policies. Since together these two parties form a majority of the Assembly, they are able to impose their views on Jobim. The major issue on which they agree is the economic situation of the State, both parties believing that Jobim has made no significant contribution to the economic welfare of Rio Grande do Sul and furthermore that he will make none. Both parties realize that the Communists will not let pass any opportunity for agitation presented by the economic deterioration of the State, and therefore the PL and the PTB have joined to form a program for economic recovery.

5. During a recent meeting held by conservative elements in Rio Grande do Sul for the purpose of criticizing the present orientation of Jobim, the president of the Rio Grande do Sul Commercial Association accused the Governor of compromising the economic welfare of the State and predicted that chaos would ensue if adequate measures were not soon taken. Considerable importance has been attached to these charges by the head of the Commercial Association, since

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that organization usually supports the State government whatever it is. Jobim is, therefore, believed to have lost the support of the last element within the State on which he could depend, as, according to the source, he never had the backing of the ordinary run of people.

6. According to leaders of the PL in Rio Grande do Sul, the agreement between the PL and the PTB has no bearing on the presidential elections, but its existence is bound to influence the entire local political situation. The PL acknowledges that Getulio Vargas has a vast following in the State and realizes that the PL, if it is to continue to exist there, cannot rebuff the PTB on any major issue, such as would be raised by an invitation to support Vargas for President. PL leaders allegedly feel that Vargas would win the State of Rio Grande do Sul by an overwhelming margin in the election.
7. Federal Deputy Raul Pilla, leader of the PL, is reported to view with disfavor the local PL-PTB accord in Rio Grande do Sul and is expected to go to Porto Alegre soon to participate personally in the inter-party conversations.

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